

REVENUE ESTIMATES

The 2012 Budget Act General Fund revenue forecast is \$86.8 billion for 2011-12 and \$95.9 billion for 2012-13.

The Budget Act is based on the assumed passage of the Governor's tax initiative. The Governor's proposal temporarily increases income tax rates on the highest income Californians, and temporarily increases the Sales and Use Tax rate by 0.25 percent. These two provisions result in a revenue increase of \$8.5 billion for the Budget. The Governor's initiative will replace some of the revenues lost in the recession as the state's economy slowly recovers.

ADOPTED SOLUTIONS

The Budget includes the following new policy changes that will affect General Fund revenue:

- *Change Rules Regarding Franchise Tax Board (FTB) Wage Garnishment*—This provision will allow the FTB to issue a wage garnishment against delinquent income tax debt without requiring FTB to record a tax lien. This provision will allow FTB to more efficiently collect outstanding tax debt and provide a benefit to individuals with outstanding tax debts because it removes an incentive for FTB to record a lien. This change is expected to generate \$11 million General Fund revenue in 2011-12 and \$27 million General Fund revenue in 2012-13.

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- *Expansion of Financial Institutions Record Match (FIRM)*—As part of the 2011-12 Budget, FTB was granted authority to use FIRM, which requires financial institutions to participate in a record match process between financial institution customer records and FTB debtor records. The Budget expands this authority to the Board of Equalization and Employment Development Department tax programs to facilitate the collection of delinquent tax debt. This change is expected to generate \$4 million General Fund revenue in 2011-12 and \$11 million General Fund revenue in 2012-13.